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# The Management REVIEW

JUNE, 1943

COMMENT • DIGEST • REVIEW

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The Management REVIEW

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ARMISTICE Day of World War I found industry woefully unprepared for the task of reconverting to a peacetime economy. When, almost overnight, the government canceled outstanding contracts totaling several billion dollars, the result was little short of panic. Wholesale dismissals of workers occurred in most war-industry areas, and as many as 45,000 employees were discharged *en masse* by a single employer. While most salaried employees were given dismissal compensation, wage earners received no allowances and in some cases were left stranded without transportation to their homes.

At the close of this war, unfilled contracts for vital materials and supplies will total at least 10 times the amount outstanding at the end of World War I, according to Roy A. Foulke (page 227). Twenty million laborers will attempt to shift from war industries to civilian employment, while 8,500,000 of the 11,500,000 in the armed services will exchange their swords for plowshares. Thirty-five to 60 per cent of industry's former employees, it is estimated, will seek their relinquished jobs. Will industry be able to keep extra employees on its payroll until those who are not needed have been placed elsewhere, or will it be forced to dismiss them peremptorily? The answer depends on the foresight shown in providing financial reserves for such contingencies.

A number of progressive concerns have already established severance pay reserves to ease the transition. One plan, for example, provides a flat payment of $100 to each discharged employee; in other cases, a percentage of profits or payroll will provide a postwar "nest egg" (see pages 200 and 212).

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# THE MANAGEMENT INDEX

## *General Management*

### Living with the Bureaucrats

BUSINESS may as well resign itself to governmental red tape, waste less energy swearing at it, and give more thought to devising ways of living in harmony with the bureaus and their complicated forms. True, after the war ends, in due time a vast number of multi-copy forms and fine-print regulations will vanish into the paper-baler rather than into the million filing cabinets of Washington. But certain forms of government regulation, or interference if you will, with private business are going to continue permanently.

Business may, and perhaps should, fight the trend toward centralized control, but economists have been saying for years that the trend exists and eventually must be conformed to by privately-owned enterprise. Accordingly, this article is not concerned with a philosophical discussion of the tendency of government to regulate everything, but merely attempts to point out ways and means of living in relative harmony with the bureaucrats, avoiding the majority of petty irritations, getting for your business what you really want, and yet conforming to the spirit of the law.

Indeed, the first law of unwinding red tape is that the spirit of the law must be conformed to. But it usually is not the spirit of the law that business men object to—their argument is with the letter of the law, its involved regulations. Here, something can be done.

Even at this late date, most manufacturers' principal contact with the letter of the law has been in the matter of forms. The Bureau of the Budget has stated that forms not bearing its approval need not be answered, but the forms that do get its hallmark still will be many indeed. Virtually all communications from government bureaus are mimeographed or printed forms, and it is not always easy to tell whether the bureau really wants the form filled out or is merely going through some fixed routine. The best test is this: If there is an elaborate

For publishers' addresses or information regarding articles or books, apply to AMA headquarters.

code number typed in a corner somewhere, you might as well fill out the form and get it over with, or the Washington tickler system will show you up as a delinquent. But if careful search of the form and its accompanying stereotyped letter discloses no mysterious individually-typed code cipher, the form usually may be safely placed in the wastebasket.

Now, there is a right and a wrong way to fill in forms. The ones which have been coming around for many years, such as the Biennial Census of Manufacturers, deserve careful attention and accurate answers, because they are the basis for statistics you may want to use yourself some day. But the great mass of more recent forms do not need such attention. There is no point in having the timekeepers stack up the clock cards to discover the exact number of man-hours paid for in February, 1938, and the bureaucrats really do not want you to. An approximation of 1,000 men × 40 hours × 4 weeks, or 160,000 man-hours, is close enough.

But it is politic to call the figure something like 160,432. This is important, and illustrates the next point: namely, that what is actually said on the form is not of too great importance except for a few over-all key figures. After all, the bureau has literally thousands of forms coming into it daily in truck-loads of mail bags. Give some thought to the key figures, which can be determined readily from a quick scanning of the questionnaire to discover its basic intent, but hesitate not when filling in the rest of the spaces.

For every form returned because of an obviously erroneous answer to a question, a thousand are returned because of a space not filled in. Obviously, then, a business man who sends in a partially filled form is directly asking for it to be sent back to him.

"Not available" is the worst possible answer—little better than a blank space. Even though you keep no records whereby to compile an answer, an intelligent guess is better than the weak statement "not available," which the government bureau usually interprets, perhaps correctly, as meaning "cannot be bothered."

Also, the form should be neatly typed, the carbon copies accurately aligned even if this is a difficult task on a large form. Bureaucrats hate messy forms, as who does not? A nicely typed form, with the correct number of copies, all in proper alignment, with all the spaces filled in, will warm the cockles of any clerk's heart and start the form promptly toward its destination.

Granted that the forms have all been neatly filled in and properly forwarded, still some blanket ruling may result in an automatic adverse decision to whatever it is you are requesting. Some manufacturers lose heart at this point. However, the first adverse decision is almost always automatic, the result of some catch-all ruling which actually serves a legitimate function in separating manufacturers who really want something from those

who merely think they do. For this reason, a second filing with virtually no changes in the form will often reverse a decision; or a simple appeal may have the same result.

If there is a second refusal, it may be necessary to prepare a really voluminous and well-documented case, peppered with nice-sounding legal phrases, weighty, supported by much supplementary data and tables, all meticulously bound, signed by all available officers and directors, and above all notarized and bearing a seal. And do not forget to send six copies. If the bureau is not overwhelmed by this, your case really is tough but still not hopeless. You may even have to go to Washington.

Who to send to Washington? The worst person is usually the one who goes—the head of a business—for he is not accustomed to the petty annoyances and irritations that he must endure. Bureaucrats do not faint at the news that the president of a company is waiting at the sacred portals! They are used to presidents, they know all the types, and upon occasion can do a little polite shoving around if necessary to show who really is the boss in Washington. After the 91st irritation, the big boss may explode into little pieces all over the office, leaving a nasty clean-up job for the star salesman, who usually should have been sent in the first place.

These men who run the bureaus are not a special breed of human being; they are ordinary men, some excellent, some impossible; but it is a rare bureau which does not have in it an intelligent, honest and capable official who can do a little red-tape cutting himself for a legitimate cause. To find this man takes a little time and a few contacts to separate the blusterers and self-important subordinates from the real officials. Once he is found, however, he is worth cultivating.

The wise business man is he who has set up a bright young man or two, class 4-F, with a sales personality, to shuffle the forms into wastebasket or typewriter, and bend his elbow at the right bars of Washington.

BY SPENCER A. WEART. *Barron's*, February 15, 1943, p. 7:1.

## *Workers' Nest Egg*

TO enable its employees to share in war work profits, United Electronics Company, Newark, N. J., has created a trust fund to be paid out at the end of the war. The percentage to be placed in the fund will vary according to profits, but the amount already paid in since January 1 equals about 9 per cent of the total compensation paid to employees during 1942. Thus a substantial nest egg will be accumulated for the postwar period.

Employees are not required to contribute to the fund. About 80 per cent of the company's personnel are women. To be eligible, workers must remain with the company until after the war, unless called to military service. Each employee will receive an amount proportionate to his salary, and in the event of death it will go to his heirs.

—*Member's Bulletin* (Direct Mail Advertising Association, Inc.) 4/43

## Enterprise in Postwar America

WHEN the war is over, the expenditures of the government will drop from about $100 billion to about $20 or $25 billion a year. Though such an enormous shrinkage is rather terrifying, there are good reasons for believing that this shift may be accomplished without precipitous collapse.

One reason is that the plant conversion problem is much less serious than has generally been supposed. At least it will be far less of an engineering problem than most people have assumed. In fact, difficult engineering problems of conversion will be confined to industries responsible for less than 10 per cent of commodity product. There are, of course, other industries in which lack of raw materials may delay conversion. By and large, however, first impressions of the difficulties of conversion and the time required for it are due for deflation.

The backlog of deferred demand and shortages will be large, $10 billion or more by midsummer of this year and $25 billion or more by midsummer of next year. (In 1941, for example, the country had about 28.8 million private passenger automobiles. By 1945, this number is likely to drop to 23 million, or even lower.)

"Surplus" liquid assets will be far larger than ever in our history. By "surplus" liquid assets is meant assets which people do not intend to hold as savings indefinitely but which they intend to convert into goods in the near future. In fact, the growth of "surplus" liquidity is one of the most sensational economic developments of the last two or three years. During this period the country has been saving at a far higher rate than ever, but savings have been taking a form which indicates that they are only temporary. During 1942, for example, gross savings by individuals were $30.6 billion. Of this amount, $23 billion was in highly liquid form—cash, demand deposits, time deposits, war savings bonds, or the reduction of indebtedness. All in all, during the last three years individuals, apart from corporations, have accumulated more than $30 billion of savings in highly liquid form—savings which they intend to turn into goods within the next several years! Part of these savings will be used to pay taxes in 1943, but it is safe to say that at the end of 1943 the "surplus" savings of individuals will be larger than ever—close to $50 billion and possibly above. Never in the country's history has there been a reserve against unemployment even remotely approaching this in magnitude. This huge volume of "surplus" savings is a great protection against postwar deflation, but it obviously does create grave danger of an uncontrolled postwar boom.

The mere fact that the country will have ceased to produce war goods and will have converted its swords into plowshares will not mean that the economy will be a normal one. On the

contrary, the influence of the war will project itself for many years, and perhaps a decade will be required before our economy will be operating under more or less normal conditions. I have called the economy which will follow the war a "catching-up" economy. A "catching-up" demand is broader and larger than a demand based upon deferred purchases.

Part of the "catching-up" demand will be produced by technological progress. During the war it has been impossible to translate into goods many technological improvements which were being perfected when the war started. Furthermore, in many industries the war itself has crowded into three or four years the technological progress of almost a decade. Part of the "catching up" will be based upon large shifts in population produced by the war. If, thanks to deferred demand, the conversion of surplus liquid savings into goods, and other conditions, we are successful in maintaining employment and incomes at levels substantially above pre-war, the higher level of incomes alone will produce an enormous "catching-up" demand. Suppose, for example, that employment for the time being is approximately 55 million out of a post-war working force of 57 million or 58 million. At this level of employment, gross national product (at 1942 prices) will be about $155 billion. This is slightly above production in 1942 and slightly below the present rate of production, which is made possible partly by considerable overtime. A gross national product of $155 billion in about 1945 or 1946 would be (in constant dollars) about 50 per cent above 1940. It would, however, represent only a normal increase over 1929.

Many business men may have difficulty realizing that such a rate of production would be only normal. A decade of stagnation (the worst in our history) has caused us to become used to levels of production and income which are far too low. With the incomes created by gross national expenditures of approximately $155 billion a year, there would be an enormous amount of "catching up" to do. For example, the stocks of various durable goods which we choose to maintain are related to the level of income. At the incomes created by a gross expenditure of $155 billion, the country would wish to have a stock of between 34 million and 35 million automobiles. This is over five million more than we had in 1941 and about 11 million more than we shall probably have when the war ends. If one allows for retirement of 2.3 million cars a year, an output of five million cars a year for four years would be required to enable us to "catch up" in adjusting the supply of cars to the level of income.

Gross national expenditures of $155 billion would mean substantial increases in the demand for all kinds of consumer goods above the levels of 1940. The increase in the demand for specific articles would vary considerably because *additions* to income would not necessarily be spent in the same way as incomes were spent in 1940. The rise in the demand for various

articles, however, would average about 50 per cent above the levels of 1940. Expenditures on both food and clothing, for example, would be about 50 per cent above 1940. The index of industrial production which would accompany gross national expenditures of $155 billion would be 180 to 185—compared to an average of 123 in 1940. For such a rate of production the plant and equipment of the country are far too small. This means that an important part of "catching-up" demand would be based upon making the additions to the industrial plant and equipment of the country required by the maintenance of a "normal" level of employment and of the incomes accompanying it.

These brief comments indicate that conditions in important respects will be abnormally favorable for maintaining high levels of production, employment and incomes. This is not, of course, a guarantee that we shall succeed in maintaining them. New and important mistakes in public policy may be made. There is danger that the war will be followed, as was the last one, by a year or two of abnormally great labor strife. If the demand based on "catching up" is not limited by public policies or by industrial strife, an attempt to catch up simultaneously and at too rapid a rate with respect to automobiles and other durable consumers' goods, housing, and industrial plant and equipment may badly overtax the industrial capacity of the economy and produce a substantial rise in prices. But protection against a too sudden and too broad attempt to catch up may be given by the disposition of many buyers to hold back from purchasing automobiles and houses until the improved postwar products have appeared and have been tested.

From an address by SUMNER H. SLICHTER before the National Association of Investment Companies, January 25, 1943.

## *Industry Boosts War Bond Purchases*

EMPLOYEES of the Beech Aircraft Corporation, Wichita, Kansas, are putting 19.91 per cent of their pay into war bonds. This record has been achieved by a variety of promotional devices: An interdepartmental competition with a roving trophy is awarded each week to the department whose workers have put the highest percentage of their wages into bonds. Special "200%" minute-man flags are given to departments in which every employee, in addition to buying war bonds through the payroll savings plan, is pledged to purchase additional bonds or stamps every payday. These special flags are regular minute-man flags to which are added the figure "200%" and the number of the department to which the award is made.

A Wisconsin textile company and the independent union representing the employees have cooperated to make the purchase of war bonds very attractive. In their union contract the company has agreed to match the amount authorized by the employees under the payroll allotment plan for the purchase of war bonds up to a maximum of one dollar per week per employee. The funds contributed by the company are considered a part of the employees' wages and as such are under the exclusive control of the worker.

—*The Conference Board Management Record* 3/43

# Office Management

## Controlling Office Production

CONTROL of office production is one of the most difficult problems facing the office manager. The requirements of any effective plan for measuring production are rather extensive. With the present shortage of personnel, measured-production plans are falling by the wayside as a result of inability to maintain standards. A summary of these requirements indicates their complexity:

1. Absolute accuracy of measurement of individual production.
2. Establishment of standard production levels or bases from which deviation in actual production is measured.
3. Dilution of positions into simple repetitive routines. This may be desirable for the employment and training of new workers, but it cannot always be accomplished in small organizations.
4. Establishment of multiple standards for composite positions where the incumbent does a variety of work.
5. Improvement and standardization of working conditions. This is the only requirement whose importance should be emphasized in any office production-control plan. Working conditions affect efficiency to such a degree that all clerical workers should benefit by improvement regardless of the method of controlling production.
6. If incentives are paid for production efficiency, payroll paperwork may require increased personnel in the payroll section to compute incentives based on multiple standards of composite positions (positions embodying more than one kind or class of work).

A *production index unit* is any unit of work which can be used as an indicator and which will summarize composite variations in a large number of operations. It is an *efficiency index* employed for measuring changes in total office production; it is not used for computing individual employee production. Some of the office routines that can be used as production indices are:

1. Number of purchase orders written.
2. Number of customers' orders handled.
3. Number of cards punched in tabulating department.
4. Number of checks written in cashier's office.
5. Number of vouchers written in accounting department.
6. Volume of incoming mail.
7. Remittances received in credit department.
8. Number of stationery storeroom requisitions (provided requisitions for material are held to immediate requirements rather than advance orders).
9. Number of inquiries handled or complaints handled in correspondence department.

In each company the routine selected as the one most sensitive to changes in volume, and the one which best indicates over-all productive activity in the office, will be different. In some cases more than one routine may be selected in order to obtain a better coverage of activities.

Most office managers seek to keep informed of changes in volume of work over extended periods of time. When should the personnel be increased or decreased? What verification can be made of the necessity for overtime? The production index unit will give the answers.

The total cost of operations of the

office (including payroll, rent, supplies, supervision and overhead) is divided by the number of index units handled during the period in order to produce the "production index unit cost." Comparison of this production index unit cost over several months will reflect changes in volume as compared to cost. *Production index unit cost is not true cost and cannot be viewed as such.* The "index" is a warning signal that economies must be made, procedures changed, etc.

It must be borne in mind that the unit selected for measurement should be sufficiently sensitive to reflect changes, over a period of time, of volume of work in all, or at least most, departments. If it is not, then more than one index should be selected for measurement and comparison of index cost. The production index unit cost may be developed by departments if a more detailed comparison is sought.

It is also desirable that the various control reports of management be simplified. These reports should be streamlined; should be reduced in number and size to encompass only essential facts; should be prepared with a minimum of effort and time. In summary, the office manager's control reports should include the following:

1. Position analysis, including position specifications; salary ranges; classification; description of the work to be done; analysis of personnel from the standpoint of selective service operation; and recruitment sources.
2. Analysis of the major routines, including a step-by-step graphic presentation of the flow of paperwork.
3. Compilation and comparison of the "production index unit cost" by departments.
4. Analysis of all forms, including a careful survey of the purpose of each form in use, and the degree to which each form meets its essential purpose.

With the information obtainable from these surveys, the office manager can appraise his operations from day to day and plan his changes in the light of current conditions.

By Harry L. Wylie. *The Office*, April, 1943, p. 9:4.

## Orientation Program for Office Employees

A SURVEY of the first orientation program conducted by General Electric Company for new general office employees reveals that the program was useful, informative and worthwhile for 98 per cent of those responding to the survey questionnaire.

The program of orientation was initiated because it was felt that all newly employed men and women should be informed about the history of the company, the functions and responsibilities of certain departments, employee benefit programs, and the part General Electric is playing in producing for war. Among the media used to present this information were movies, talks, dialogues, slides and pamphlets.

Each employee attends a series of three meetings after he has been with

the company a few weeks and has mastered the fundamentals of his new position. These meetings are held on company time, one each week for three weeks. Three series of meetings have been held thus far; and while they have been conducted somewhat on a trial-and-error basis, each series has been distinctly better than the one preceding it. It was found that by presenting material in two or three forms at each meeting, such as a movie, a short talk, and a dialogue, the meetings were more enjoyable for the employees.

The survey revealed that, of the methods of presenting material, motion pictures were rated highest; talks, second; and dialogues, third. The returns as a whole indicated that the subject matter itself is more important than the method of presentation. Talks which were not of a general nature, but which had some actual information to impart, were most successful. Among those talks remembered most vividly by the greatest number of respondents was one describing the company's medical facilities; one describing the promotion and rating system and opportunities for advancement; and a third describing the wartime production and activities of the company.

Results of the survey indicate that 68 per cent of the employees are interested in possibilities of advancement. Of 305 employees answering the questionnaire, 207 requested more complete information on company rating and promotion systems, opportunities for women, and salary policies. New employees want more and specific information about their own departments and jobs. Most of them realized that such information could not be provided in general meetings, and suggested that managers prepare an "introduction" to their departments which could be used by new employees.

In answer to the question, "Were the meetings worth while in helping you get acquainted with General Electric?", 47 per cent indicated that they had been "very helpful," 51 per cent indicated that they had been "of some help," while 2 per cent said that they had been of "little or no help." In addition, 20 respondents praised the meetings as "complete," as having answered their questions concerning General Electric, and as having made the company seem less impersonal; their own jobs, more important.

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▶ A FACTOR limiting British production in terms of manpower is the relative obsolescence of British equipment as compared with our own. Single-purpose machines, used in the United States as part of assembly-line technique, are less common in England. On the other hand, the working day of aircraft labor is about 15 per cent higher than in the United States, and "it is possible that the intensity of labor effort is somewhat greater." Workers in aircraft plants "are more aware of the actual meaning of war than are the workers in this country."

—From a WPB press release

## *Testing Clerical Applicants*

TESTING of clerical applicants at The Pennsylvania Company was inaugurated in 1934 and has been an indispensable part of the company's selection program ever since. The company is a commercial bank and trust company with a staff of over 1,000 clerical employees. Since June, 1937, careful records of applicants' test scores have been kept. The validity of the tests used has been amply established during the past eight years.

The more useful tests are:

Otis, S-A, Form B, 20-min.
Minnesota Clerical, Number Checking
Minnesota Clerical, Name Checking

Soon after the Otis test was adopted, it became necessary to determine the critical score for clerical workers. This was done by drawing on the experience of Pond (at Scovill Manufacturing Company) and Wadsworth (at Southern California Gas Company). The minimum score adopted for clerical workers was 36 for 20-minute administration. It had already been found that the ceiling of the 30-minute administration was too low and produced a crowding of scores at the top, with resulting loss of discrimination. The company's experience to date has amply justified the use of a minimum score of 36 for all clerks and a requirement of higher scores for persons who are promoted very far.

The Minnesota Test for Clerical Workers has proved useful in distinguishing among persons of adequate intelligence those of minimum suitability for routine clerical work. Wide differences in average scores for different occupational groups are known to exist, with the clerical group much higher than most other distinct groups, such as the mechanical. In a group of machine bookkeepers a critical score of 130 in name-checking and number-checking has been found.

—Edward N. Hay and Arline Mance Blakemore
in *The Journal of Applied Psychology* 12/42

## *Keeping in Touch with Paper Changes*

HOW will wartime changes in paper quality affect the buyer of paper items for the office? To maintain former efficiency in paperwork, he must check the following points:

1. Ruling and printing must be planned to conform with the new paper. If possible, decisions on these points should not be made until the fresh stock or actual samples of it can be examined by the office manager and the printer. The colors of ink used, the style and spacing of the printing, and similar details may have to undergo changes to provide contrast, readability, and a minimum of eyestrain.

2. Writing and record inks for the new paper should be rechecked, in much the same manner the buyer reviews the printing and ruling problems. This also applies to the ribbons used on typewriters and business machines.

3. In some instances, softer pencils which leave a more distinct mark on off-white papers may have to be resorted to. The shade and color of checking pencils should be matched against new paper stock, so that the necessary contrast is preserved, reducing fatigue and errors.

4. Where color is a basic factor in the filing system, an occasional check should be made to see if the signals still show up well when used with the new paper items.

5. Lighting deserves special attention now. Is it adequate for working with the less-white papers or the new, different-colored stock? How well is it adapted to the changes in colors of ink, filing signals, etc.? Adjustments in the amount, the kind, and the direction of the lighting may be called for, so that eyes and efficiency do not suffer because of the variations in paper stock.

—George M. Dodson in *The Office* 5/43

# Personnel

## How to Use the Physically Handicapped

TRADITION has marked the blind for jobs as broom-makers, the man with tuberculosis for light outdoor work, the person who has lost a leg for a job as crossing-watchman. This hit-or-miss classification has totally disregarded the fact that the blind man may have been an industrial engineer before losing his sight; the tubercular, an expert accountant; or the one-legged man, a locomotive engineer.

However, to those charged with the welfare and guidance of the physically handicapped today, all jobs are jobs for the handicapped. The occupational horizon of the physically handicapped is gradually being broadened, and there is no reason why it should not be widened to include every job in the Dictionary of Occupational Titles.

Achieving that objective will require an intensive and carefully executed job analysis program. This technique entails an analysis of jobs in terms of the usual factors of selection, such as skill, aptitude and experience. In addition, to determine the specific requirements of a job, the analysis must also show in detail the physical demands as well as the conditions under which the worker would have to operate.

When such a breakdown has been made, it will be possible to relate the requirements of the occupation to the physical capacities of specific individuals. As knowledge of more jobs is developed, the span of occupations in which persons with physical limitations can be suitably and safely placed will increase.

Analysis should, of course, be made under actual conditions and should not be based on memory or hypothetical conditions. No personnel man has a sufficiently detailed knowledge of all jobs in his plant to relate that information, except in a very general way, to the varied types of physical impairments that applicants may have.

When the framework of information has been set up, fitting the specific handicapped person to the job becomes a relatively simple matter. The medical examiner, too, should be familiar with the requirements of the job, so that he may be able to determine whether or not the job will aggravate the applicant's handicap.

Tools to facilitate the use of information derived from a job analysis can be developed—for instance, a specific industrial plant chart of physical demands and working conditions. If it is based on specific information, such a chart may prove exceedingly valuable to the plant personnel office or to the placement officer of the U. S. Employment Service in reviewing the physical requirements of the job. It may be used to break down a single occupation or a complete industry.

Another device, developed by the Occupational Analysis Section of the War Manpower Commission, is the

compilation of "job families" for the handicapped. These job families have been drawn up around a limited number of types of handicaps, and point to the jobs which are possible choices for persons with these physical impairments. However, the finding of a job in the "family" does not eliminate the need for an analysis of that specific job when an individual with a handicap is being considered for it.

Lists of occupations are important as guides only, in that they point to occupations in which persons with handicaps may be placed; they do not obviate the necessity for an analysis of the job. Persons with identical handicaps may have widely varying physical capacities; therefore, in the development of a practical placement method, consideration must be given to all types of physical factors which limit the capacities of the workman.

Job breakdowns—imperative now because of our manpower shortage—have increased the opportunities for employment of physically handicapped persons. They may be further extended to separation of those segments of a job which require similar physical capacities.

For example, a worker with limited mobility may be suitable for a job if the raw material is brought to the machine and if the finished product is carted away by another worker.

Shifting the hand or foot lever so that it may be used by a workman with a missing hand or foot may permit the employment of an applicant who would not otherwise be acceptable.

It is reported from Germany, where extensive use has been made of the handicapped, that a measuring device has been invented which uses variations in the tonal quality of a bell to enable blind workers to "read" the instrument.

More and more types of handicapped are being utilized in the war effort. Fullest utilization, however, will come only through this careful technique of job analysis which gives consideration both to their respective abilities and to the conditions under which they will work. By K. Vernon Banta. *Supervision*, February, 1943, p. 16:2.

## How to Figure Learning Time

HOW many hours should it take the average inexperienced worker to learn to perform a given activity satisfactorily? Most managements have no idea. Yet this information is a "must" if best use is to be made of manning tables or replacement schedules.

Because this is so, and because industry still has to train hundreds of thousands of new employees, most of whom have never worked in a factory before, the method of predetermining learning time described here should prove useful. It has been applied to both shop and office jobs. The plan

must not be confused with the various rating plans designed to determine the *basic hourly rates* of different jobs. The object of this point rating system is to determine the *learning period* of an activity.

In working out this plan, it was necessary first to determine what factors affected the learning period of any activity. After much experimentation, a list of six factors was compiled:

1. *Length of Job Cycle*—Learning time is greatly affected by the length of the cycle. Long cycles usually have more complex motion paths to be learned. For convenience, the time value which must be obtained from the wage incentive standard, or estimated in conjunction with the supervisor or time-study man, is expressed in *pieces per hour.*

2. *Education*—The proper degree of education necessary to handle the activity must be considered. On the rating form, education is broken down into years of schooling.

3. *Rules and Regulations*—The time to learn any activity is greatly affected by the number of rules and regulations to be memorized.

4. *Rhythm and Manual Dexterity*—The degree of rhythm and manual dexterity must be carefully considered. Rhythm results from the memorizing of a free and unimpeded motion path. Free, loose and ballistic movements result in rhythm and a high degree of automaticity. Rhythm or manual dexterity can never be maintained by conscious effort.

5. *Mental Dexterity*—This factor appraises the amount of mental dexterity required to perform the job satisfactorily. A short cycle activity usually requires a fairly high degree of mental dexterity. Watch out, however, for purely automatic activities.

6. *Physical Demand*—The degree of physical stamina required by the activity should be appraised. Sliding, lifting or carrying heavy objects should receive a higher rating. Strength must be considered as a factor in learning time because, in activities in which it appears, a definite time interval elapses in adjusting sets of muscles to the strain of a constantly repeated new activity.

Each of the six factors is composed of five degrees. In determining the learning time for any given job, the degree of each factor required by the specific operation is indicated on a special rating form. It must be realized that the *first degree* is for any job that requires the minimum of that factor, and the *fifth degree* is for any job that requires the maximum. In selecting the degrees, all jobs are compared mentally, factor by factor. Point values for the degrees selected are then entered on the rating form from a table of point values. The points are then totaled, and the hours of allowance taken from a table of allowed hours.

This system is applicable to only about 70 per cent of all factory and office jobs. However, about 90 per cent of all training of green personnel is done on these jobs. By R. C. Smyth. *Factory Management and Maintenance,* March, 1943, p. 94:3.

## *The Ideal Foreman*

IT is generally agreed that a prospective foreman should be skilled in the work he may be called upon to supervise. His own job experience should help him to judge and direct the performance of subordinates. Furthermore, candidates for foremanship should have the desire and ability to learn more about, and attain mastery of, technical processes. And, what is most important, they should possess *desirable personality traits.*

In a recent survey of British executives,* the following personality traits were cited as existing to at least some extent in every successful foreman:

1. He applies himself to his work to an unusual degree and perseveres in the face of obstacles.
2. He is dependable. Keeps his promises.
3. He is willing to accept responsibility. (This includes willingness to admit his own errors.)
4. He has initiative and independence. "Does his own thinking."
5. He is systematic and orderly.
6. He is sincerely interested in other people (their attitudes, satisfactions and progress) but is not sentimental or inquisitive. Respects the personalities, views and rights of others. Safeguards any confidences given him. Can talk with others and answer their questions.
7. He cooperates well. He is not unduly self-centered.
8. He is interested in fair play and a "square deal" for others, as well as for himself.
9. He is frank, yet tactful.
10. He exercises self-control. Has pose, maturity and stability.
11. He is decisive, but not bigoted. He is willing to change a decision if he discovers sound reasons for the change.
12. He is able to adapt his views and methods to changed conditions. He is progressive and interested in improvements.
13. He is resourceful in emergency.
14. He exercises foresight in his work.
15. He reacts well to managerial criticism. Can view himself and his work objectively.

* See *Production and Engineering Bulletin* (Ministry of Labour and National Service and the Ministry of Production, London, England), November, 1942.

## *WLB Experience with Wage Stabilization*

AMID the storm of protests which followed issuance of the April 8 "hold-the-line" wage freeze, the War Labor Board reports that wage increases approved by it between October 3, 1942, and March 31, 1943, have had an "imperceptible" effect on cost of living and a "microscopic" effect on price ceilings. Only eight out of every 1,000 of the applications for voluntary wage increases were accompanied by a request for price relief, and two-thirds of these requests for price relief were refused by OPA.

In summarizing its disposition of applications for wage and salary adjustments during the six months' period, the Board points out that the typical applicant for wage and salary relief has been the small business man with no union in his plant, seeking relief for less than one-half of his workforce. In fact, this type of application accounts for 77 per cent of the applications received for wage adjustment. Only 23 per cent of the applications were filed jointly by unions and employers. Other cases in which the employees sought wage increases but were not joined by the employers reached the Board as disputes.

Through the end of March, 36,000 applications were received and approxi-

mately 16,000 were acted upon. Of this number, the Board brought about settlement in 763 disputes involving approximately 3,000,000 workers. This total includes 341 cases which involved wage issues.

The Board estimates in its report that wage increases resulting from directive orders issued prior to October 3, 1942, in dispute cases added about $95,000,000 to the nation's annual payroll on a 40-hour-week basis, or $115,000,000 with overtime for a 46-hour week, two hours being subtracted from the standard 48-hour week to allow for breakdowns, absenteeism, and other man-hour losses.

Increases resulting from the Board's action in both dispute and voluntary adjustment cases added $60,600,000 to the wage bill for a 40-hour week; $74,200,000 for the overtime week. This increase, the Board points out, represents a rise of less than 0.2 per cent in the annual wage bill of $82,200,000,000 as of September, 1942.

The Board has had to deal with two types of inequalities—inter-plant and intra-plant. Almost half of the cases received by the Board (46 per cent), the report states, involved inter-plant inequalities.

With respect to the correction of maladjustments or cost-of-living raises, the Board states that in only 16 per cent of the cases received by it had employees not received the 15 per cent increase in rates permitted under the "Little Steel" formula. The average increase granted by the Board in such cases was six cents per hour, approximately the same average increase granted in inequalities cases.

—*Wage and Hour Reporter* 5/17/43

## *Severance Pay Reserves*

A number of long-established concerns employ today several times as many people as they ever did before the war. No matter how optimistic they may be about postwar economic prospects, the managements of most of these concerns anticipate the need for reducing the number of persons on their payrolls when the war is over, or earlier if heavy cancellations of contracts occur.

One concrete and immediate problem in corporate postwar planning, therefore, is the formulation of severance pay plans for employees who will not be needed when war production declines. Several corporations have already made tentative plans for this contingency. In one case, this plan provides for a contemplated flat payment of $100 to each discharged employee at the close of the war emergency. In other instances, a small percentage of payrolls is being set aside, and payments are to be made out of the fund thus built up on a basis to be determined later in the light of circumstances existing at the close of the war.

The establishment of reserves for severance payments to discharged employees and similar purposes is severely hampered by present tax laws and by contract renegotiation. Such reserves must now be taken out of profits after taxes. Were corporations given a measure of tax exemption for earnings devoted to this purpose, the establishment of such reserves would become far more common, and their amount would doubtless be increased substantially.

—*The Journal of Commerce* 5/28/43

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▶ WORKERS at the American Bantam Car Co., Butler, Pa., are being paid to cultivate the company's Victory Garden. They put in two days a week on the "vegetable shift," and receive regular pay as well as a "bonus" in crops that are produced.

—*Forbes* 5/15/43

# Production Management

## How Color Conditioning Aids Production

INCREASED production, less fatigue, and better morale among workers are possible through scientific application of color in shop interiors.

Everything seen by the human eye is colored, and every sensation of color owes its reality to light. While ample light is essential to good vision, the human eye must rely upon contrast to distinguish what it sees. *Thus color is in every way as important as light.*

Here is an illustration of how a color adjustment was made in a large, well-illuminated general factory office which had white walls:

Complaining of eyestrain and fatigue, accounting machine workers showed a tendency to leave their work frequently and to be fidgety and irritable. Study showed the walls and columns caused glare and distraction. In glancing up the eye was saturated with brightness. When it returned to its task, there was a temporary "blind" period during which the employee had to wait for his vision to adjust itself to the darker working area.

When the walls were painted a soft bluish-green, greater visibility resulted. In glancing up, the lower-brightness of surroundings was relaxing and restful. When attention was again directed to the work, there were no "blind" or "halt" periods.

Seven general applications of light and color in achieving the best working results are:

1. Where color discrimination is necessary, a simulation of daylight is desirable. Daylight can be overdone, however. There is evidence that ordinary incandescent light (yellowish) is more generally satisfactory. If one is to choose between a bluish tint and a yellowish tint, the latter is psychologically superior.

2. Color in decorated and painted surfaces may be just as distracting as it is pleasing. The colors of walls, machines, backgrounds should obviously never be too pure or saturated. Light tones, pale in hue, are almost always best.

3. Where distraction is desirable —as on the lever of a machine, a guard, a danger signal or marking— the attention value of saturated hues may be sought. Here yellow, orange and yellow-green have higher visibility than the conventional red and should often be used in its place.

4. Where the general "feeling" of an interior is cold, a warm tone may be preferable. Where the interior seems stuffy and hot, a cool grayish tone is usually indicated.

5. The eye focuses differently on different hues, being nearsighted to bluish rays and farsighted to reddish. This action is seldom important where

colors are subdued. However, an end wall painted to offer visual relaxation should advisedly be greenish or bluish in tone rather than yellow or red, since such colors are inherently more retiring.

6. In a blue environment, time is likely to be underestimated. In a red environment, time is likely to be overestimated.

7. In-between colors—bluish-violets, buff, ecru—are considered more livable than primary hues. They are less likely to grow monotonous.

*NAM Industrial Relations Bulletin*, March, 1943, p. 3:1.

## Materials Control in Great Britain

DURING three years of war, Great Britain has developed an effective method of controlling and distributing materials. The British experience should serve at once as a warning and a blueprint to the United States in channeling materials into products for war.

Throughout, there has been a remarkable similarity between the American approach to these problems and the previous British experience. In many cases the United States, following the same path, made the identical mistakes—frequently with elaborate embellishments.

Like the Americans, the British started the war with a priority system. Soon priorities were scrapped for tighter controls. The tighter controls resulted in a system which is a prototype of the Controlled Materials Plan now being applied to the flow of materials here.

Early British procedure involved the establishment of a "control" when any material became scarce. The early "controls" generally followed two lines of action: They sometimes acquired all the stocks of the scarce material except the actual working stocks in manufacturers' hands. Secondly, they brought all imports under a license. An order was issued which prohibits purchases or sales in excess of very small amounts except under license.

An outstanding industrialist, assisted by associates in the particular trade, usually directs the "control" responsible for the distribution of a scarce material. At first, considerable public opinion was aroused against use of men from the trade (our dollar-a-year men), but the results achieved have for the most part stilled such criticism.

The British government appears to have thrown a considerable portion of the burden and responsibility for details of allocation on industry, retaining itself the policy-making function. In some industries, trade associations play an active part in this program.

Primary function of the "control" now is to license the purchase of the material it supervises. A firm or gov-

ernmental agency desiring to purchase a scarce material must apply to the appropriate "control," stating the quantity required and the use to which the material is to be put.

Distinction is made between "allocated" and "unallocated materials." "Allocated materials" are those of which the supply is insufficient for military requirements, while "unallocated materials" include all others.

The "control" grants or refuses the license. In the case of an "unallocated material," the "control" attempts to conserve the material by refusing to issue licenses for certain uses or by reducing the specifications.

In cases of "allocated materials," allocations are made by the Joint War Planning Staff, which is somewhat analogous to the Combined Production and Resources Board in the United States. The Joint War Planning Staff consists of the Ministers of Production, of Supply, the First Lord of the Admiralty, the Air Minister, and representatives of the armed services.

Two types of allocations are employed under the licensing program: (1) allocation by use; (2) allocation by department, which is resorted to with the more critical materials such as tinplate, steel alloys and drop forgings. Requirements of these materials are grouped under 26 government departments.

After obtaining estimates of requirements, the Materials Committee makes the allocation to the respective departments. The receiving department then issues certificates or licenses for the purchase of the material up to the limit of the allocation.

When the department purchases finished articles in which the critical material is used, it may issue certificates to the main contractor when the contract is awarded. This contractor uses the certificates to purchase the allocated material or issues sub-certificates based on them to his subcontractors. All certificates eventually go to the manufacturers of the allocated material.

When the governmental agencies or departments merely supervise uses, without purchasing finished products, the certificate is issued to the firm which buys the "allocated material" for processing.

This control plan may sound simple in principle but, like the American methods, it involves much work and detail. The British industrialist, like his American cousin, has to put up with a lot of burdensome paperwork.

Nevertheless, an American manufacturer would shout with glee at the type of forms the British manufacturer has to fill out. The British haven't changed their system or forms for months, and the British manufacturer seems singularly free from having to learn an entirely new set of signals every few weeks.

In Britain the application for a license to use copper is made on a single sheet of paper about six by eight inches and requires but four entries to be filled in by the manufacturer. On the back is 150 words of instructions. On the bottom of the sheet

is the license which the supplier sends back to the Ministry to show that the order has been filled.

Biggest form is one about 8½ by 13 inches. It is a schedule of service orders against which the fabricator's application is made for new stocks of material.

Scheduling appears to have been achieved with unusual accuracy by the armed services and other claimant groups because they have conditioned their thinking in terms of the available supply of materials.

By H. Kennedy McCook. *NAM News*, January 16, 1943, p. 6:1.

## Douglas' Safety Plan Pays Dividends

THROUGH a coordinated program of medical and safety supervision extending to approximately 24,000 employees at the Santa Monica plant of the Douglas Aircraft Co., industrial injuries have been reduced during a four-month period nearly one-third.

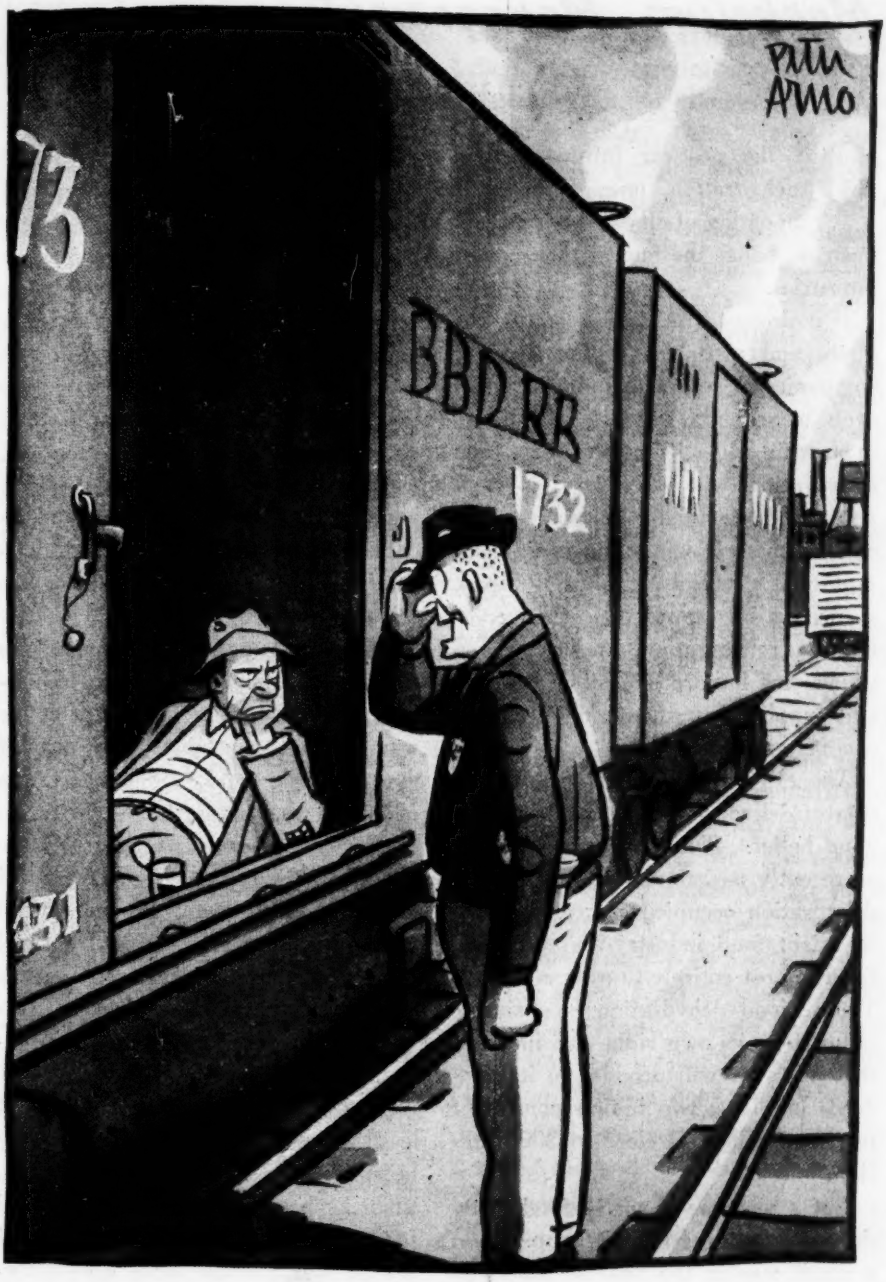
Plant safety committees are drilled in the company's regulations, and it is their responsibility to make all workers safety-minded. Further to spread the gospel of safety, membership of these committees is changed at regular intervals. It is their function also to check all hazardous conditions and report them to the safety engineer for investigation and correction. Membership of the committees totals 185.

Removal or correction of hazards is undertaken immediately after each is reported. The "safety men" carry small books containing all the regulations. When one reports a hazard, it is investigated immediately by one of three assistant safety engineers, who checks with the reporters upon their suggestions. If a change is feasible, a recommendation goes to the maintenance engineer, and the suggested correction shortly becomes an accomplished fact.

The company also maintains the most complete medical department in the west. Both equipment and practices are standardized through all four Douglas plants in California and Oklahoma. Thus doctors and nurses may be transferred from one dispensary to another, and find the same equipment in the same places.

Proof of the value and efficiency of the Douglas medical-safety service lies in the fact that the company now carries its own industrial insurance, saving $100,000 yearly in premiums.

All successful applicants for jobs receive pre-employment examinations, with especial attention paid to abdominal muscles, chest and eyes. Once a man starts working on a Douglas assembly line, he undergoes periodic checkups. Those engaged in potentially hazardous jobs, such as painting and sand-blasting are X-rayed quarterly or semi-annually. By Andrew R. Boone. *Mill & Factory*, October, 1942, p. 76:2.




*"A very good afternoon to you, sir. I represent the railroad in matters of employment."*

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# *Marketing Management*

## Light Cargo

ON the postwar future of food dehydration, one of the most booming of all war-booming industries, hangs the fate of many other industries.

If it drops to its pre-war status, the hopes and prospects of hundreds of companies in scores of industries will drop accordingly. But if it continues in anything like its present size, food dehydration will offer an important new market for many kinds of electrical and materials-handling equipment, industrial trucks, pumps, valves, steam-heating apparatus, air conditioning, refrigeration, packaging materials, and hundreds of other products and supplies manufactured by American factories.

The extent of the leaps in production of dehydrated foods is almost beyond belief. Before the war—in fact, as recently as before lend-lease—food dehydration occupied a tiny corner of the giant food industry and was confined almost entirely to milk and eggs. Today, food dehydration is a sizable industry in its own right—an industry that this year will produce in its hundreds of plants two billion pounds of products valued at close to $800 million.

But a wartime boom in food dehydration is nothing new. It happened in a small way in the Spanish-American War, in a larger way in the Boer War, and on a substantial scale (though nowhere near that of today) in World War I. In each case, dehydrated foods boomed because they are lighter and occupy less space than a comparable quantity of fresh or canned foods. Each of the three previous upsurges in dehydrated foods collapsed with the end of hostilities. The reasons were low quality in comparison with fresh and canned food; deterioration and change of taste in storage lasting longer than a month or two; and inconveniences and ignorance in rehydrating and preparing them for the table.

That's not going to happen this time, at least immediately. For in helping to feed starving nations after the war, we shall continue to face most of the shipping and food-preservation problems that underlie the trend toward dehydration in wartime. Consequently, the demand for dehydrated foods should be heavy for one or two years after the war. The real test will come later, when dehydrated foods must stand on their own feet and survive without artificial demand to support them.

That they will pass this test is at least a possibility now, where they failed completely after previous wars. This is because today's dehydrated foods are as different from those of World War I as the latter were different from the dried fruits, vegetables, and meats that have been used for

emergency foods—and, in a few cases, for everyday foods—as far back as history goes.

The reason for this difference is that, thanks to research by the Department of Agriculture and other groups in the early 1920's and particularly in the past 18 months, we know considerably more about dehydrated foods and how to produce them than we did 25 years ago. As a result, they have better flavor, keep better, and are easier to use.

The most important innovation is the use of the "blanching" process by steam or hot water before dehydration. This process kills the enzymes or ferments which, if left to themselves, survive dehydration and spoil the flavor of the food in storage. They were mainly what made the dehydrated vegetables of previous wars undependable and in many cases inedible.

A contributing factor was deterioration in storage from poor packaging. Here again much progress has been made.

Finally, much closer control over the dehydrating process has resulted in improved products.

The use of dehydrated foods calls for new habits and methods by cooks (a handicap which, however, frozen foods are overcoming). The Army, for example, has issued a special cookbook for dehydrated foods, and its cooks must take an intensive one-week course in their preparation and handling. And housewives must go at least part of the way the Army does if they are to serve satisfactory dehydrated foods.

It's in the field of specialties that the wartime dehydrated foods show the strongest signs of carving an important place for themselves in the postwar world. These include such pre-cooked, pre-processed and prepared foods as soup, tomato juice cocktail, flavoring powders derived from fruits and vegetables, pie filling, ice-cream mix, apple sauce, and riced and mashed potatoes. Many specialties will be used in the home, but sale to food processors—ice-cream manufacturers, bakers, candy-makers, and so on—will account for a large share of the market.

The commercial market had already been developed in a small way before the war. Now, institutions—hotels, asylums, hospitals—are beginning to use them in important quantities. And even before there was a tin shortage, consumers were turning to dehydrated soup powders instead of canned soup.

The reasons for the popularity of dehydrated food specialties often vary from product to product. Dehydrated riced potatoes, for example, are much easier to prepare in the home than the home-made variety, and they taste at least as good. Dehydrated mashed potatoes, in addition, have no lumps. One broader reason why processed foods do well in dehydration is that many are pre-cooked, and most pre-cooked foods rehydrate in three minutes, compared with the 15 minutes to two hours uncooked dehydrated foods require.

The distinctive flavor of specialties —the fact that they rarely need or are

expected to taste like fresh foods—is another reason for the popularity of dehydrated types.

The crucial question is, of course: Just how much of an industry will food dehydration amount to after the war?

For an indication of the answer, today's food dehydration industry must be looked at in perspective. Under this sort of examination, the relative importance of dehydration even today shrinks sharply. For example: About 6.2 billion pounds of fresh milk were dehydrated in 1942—but in that year United States farmers sold a total of 46.2 billion pounds. And, according to the American Institute of Food Distribution, despite the wartime skyrocketing of orders a mere 3 per cent of 1942 production of white potatoes would fill 1943 dehydrating requirements, while only 12 per cent of the carrots and 18 per cent of the onions would be needed.

That's the wartime dehydration industry. When wartime demands wane, indications are that it will probably shrink to from 10 to 15 per cent of its 1943 volume. This means an industry selling 200-300 million pounds of products annually for $80-120 million (though the probable greater development of dehydrated specialties might mean higher value in proportion to volume).

This is not a big market by any means. But it might be a profitable one, and it quite certainly would offer substantial opportunities for improved equipment and methods. *Modern Industry*, April 15, 1943, p. 46:10.

## *Industrial Advertising Budgets in 1943*

FORTY-FOUR per cent of industrial advertisers are operating with increased budgets during 1943, according to a nationwide survey conducted by *Industrial Marketing*. Thirty-eight per cent have the same amount of money to spend for advertising as they did in 1942, while 18 per cent are spending less. Those who have increased their appropriations have done so by an average of 26.8 per cent, the range being from 3 per cent to 80 per cent.

The average decrease in appropriations for those who have sliced the budgets for 1943 will be 35.5 per cent. Cuts of from 14 to 50 per cent constitute the range, many at the latter figure.

Technical and industrial publications continue to receive the largest single share of industrial advertising money in 1943. Those using these papers will spend 34.3 per cent of their appropriations for space in them, or a fraction of a per cent less than in 1942.

General business publications, however, will get over 50 per cent more money from those using these magazines than they did in 1942. These advertisers will spend 21.1 per cent of their appropriations in this classification, as against 13.7 per cent in 1942.

Preparation costs for advertising in the foregoing publications will remain about the same as in 1942, at 10.6 per cent of cost of space.

Industrial advertisers who use general magazines to talk to the public are upping their appropriations for this purpose by more than 20 per cent. Twenty-three per cent of the money of those using these media have been earmarked for them, against 19 per cent in 1942. The advertisers covered in this survey, however, will spend less money in newspapers in 1943 by nearly half, only 2.3 per cent going for that space.

—RALPH O. MCGRAW in *Industrial Marketing* 1/43

## Mistakes to Avoid in Selling to Negroes

THE exact size of the Negro market has never been determined, but *Sales Management* estimates indicate that in 1942 its *effective buying income* was approximately $4,875,000,000. This is equivalent to the total income, white and colored, of the following 14 states: Nevada, Wyoming, Vermont, New Mexico, North Dakota, South Dakota, Delaware, Idaho, Arizona, Utah, New Hampshire, Montana, Mississippi and Arkansas.

Here is a market which no manufacturer can afford to ignore! And if he is going to cultivate that market—or, indeed, any market—he should address it in terms which are both understood by and pleasing to the people who make up the market. The Negro market is not for companies that, through ignorance or bad taste, pitch their promotion in the key of a third-rate minstrel show, or use pictures and terminology offensive to the dignity of the colored race.

Herewith are a few practical rules and points to observe in selling the Negro market:

1. Don't exaggerate Negro characters, with flat noses, thick lips, kinky hair, and owl eyes. They don't exist any more as a matter of cold fact.

2. Avoid Negro minstrels. Avoid even the use of white people with blackface and kinky wigs to depict Negroes. We know that they are phonies—and minstrelsy is a dead issue.

3. Don't constantly name the Negro porter or waiter "George." He could be John, James or Aloysius, for that matter. Nothing makes Negroes angrier than to be called "George."

4. Avoid incorrect English usage, bad grammar, and dialect. In other words, get away from "Yas suh, sho, dese, dem, dat, gwine, you all." (This last, white Southerners use more often than Negroes.) Avoid also "I'se, dis yere, wif" and others in similar vein.

5. Don't picture colored women as buxom, broad-faced, grinning mammies and Aunt Jemimas. Negroes have no monopoly on size. Neither are they all laundresses, cooks and domestic servants. By no means color them black. Use brown-skinned girls for illustrations; then you satisfy all. Don't refer to Negro women as "Negresses."

6. Don't overdo comedy situations, gag lines, or illustrations. Avoid even by suggestion, "There's a nigger in the woodpile," or "coon," "shine" and "darky."

7. Don't illustrate an outdoor poster, car card, advertisement, or any other advertising piece with a picture of a Negro eating watermelon, chasing chickens, or shooting crap. No race has a monopoly on these traits.

8. Don't picture the "Uncle Mose" type—the type whom Octavus Roy Cohen employs in his stories. He is characterized by kinky hair and as a stooped, tall, lean and grayed share-

cropper, always in rags. The U. S. Chamber of Commerce says, and facts prove, that Negroes spend more for clothes per capita than do white people in New York and other large cities.

9. Always avoid the word "pickaninny" or lampooning illustrations of Negro children. They are as dear to their parents as are other children, irrespective of race.

10. Don't insult the clergy. The day of the itinerant Negro preacher has long since passed.

Incidentally, advertisers do not seem to know that the word Negro is a proper noun and hence should be spelled with a capital "N." This implies that a good many secretaries need to brush up on the spelling of proper nouns, especially those denoting race. By David J. Sullivan. *Sales Management*, March 1, 1943, p. 46:3.

## *The Extent of Subcontracting*

APPROXIMATELY 27 cents out of every dollar of prime contracts placed with companies holding the bulk of war orders has been passed along in subcontracts to other firms, and this ratio is rising rapidly. Such is the major finding of a survey of subcontracting made by the National Association of Manufacturers.

The NAM asked 252 prime contractors holding the bulk of war orders from June, 1940, through November, 1942, to report the total of their subcontracting, the number of subcontractors, and the number of states in which these subcontractors were located. *For the purpose of the survey a subcontract was defined as that part of a prime contract normally made, or which could be made, in the prime contractor's plant but which was fabricated or assembled elsewhere.*

The 252 prime contractors held, as of last November, approximately $67,000,000,000 worth of war contracts from Army, Navy, Maritime Commission, or orders for the accounts of foreign governments. Replies received from 141 companies, holding $41,429,600,000 of war contracts, disclosed that $11,210,996,000 worth of their orders was subcontracted. While this total is for the period from June, 1940, through November, 1942, the reports on subcontracts generally were for a year.

This business was distributed among 126,008 subcontractors in every state.

One engine manufacturer reported he already is subcontracting about 65 per cent of his orders. He estimates that with the scheduled rate of his production more than doubling soon, practically all the additional business will be subcontracted.

One major automotive manufacturer is subcontracting 58.2 per cent of his total orders.

Of one major war equipment order exceeding $30,000,000, 89 per cent is being subcontracted.

—*NAM News* 4/24/43

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▶ DRAFTED SALESMEN of the J. E. Linde Paper Co., New York City, are still receiving commissions—on sales made by their draft-exempt associates. Half of all commissions earned through servicing their former accounts are set aside for the men at the front by their "pinch-hitting" brothers back home.

—*Forbes* 2/15/43

# Packaging

## Processed Wood as War Containers

GROWING restrictions on solid wood packing cases and the demand for lighter, stronger, less bulky, maximum-protection containers for war shipments have brought processed boards made from wood to the fore. Among these are Presdwood and Douglas Fir plywood.

Ligno-cellulose hardboards have a number of characteristics which are in demand by the Army Ordnance and Quartermaster's departments for packing and shipping certain types of war materials. Presdwood has unusual strength and durability, does not splinter or crack, is water-resistant and not injured by dilute acids, absorbs and spreads pressure, can be cut easily to regular or irregular shapes, and can be bent into drums or tubs if required.

Presdwood is used as shock-absorbing dividers for shipping small munitions where there is need for a uniform material which will not splinter or crack and which remains in good condition under water. Super-finished extra parts for airplane engines have to be protected against nicks, dents and corrosion, which would ruin them for use until re-machined. Presdwood not only absorbs shocks but, unlike natural wood, causes no corrosion of the super-finished metal surface. Because the force of sharp, piercing points is absorbed and spread by Presdwood as a result of its high strength-weight ratio, it is used as a liner for corrugated paperboard boxes in shipping various types of war supplies. It is used also as a holder for radio parts in a shipping container. pronged parts are slipped into die-cut holes in a tempered Presdwood base which prevents rubbing and breakage, provides a visible count, and serves as a carrying and storing tray. In the Army Quartermaster's Corps, containers of Presdwood are employed for overseas shipment of clothing where protection against snagging is required.

When plywood was first put upon the market, it was thought to have a limited number of uses because it was believed that the glue bond would not withstand weather and water. The Douglas Fir Plywood Association went about the matter of proving the strength and durability of the material in a serious way, establishing one of the best-equipped laboratories in the wood industry. As a result, Douglas Fir plywood is today a full-fledged war material. The Army Air Forces use plywood cargo, transport and trainer planes and gliders. The Navy has been building new wood and plywood ships of radical design. The material goes into amphibian tanks, is employed in the building of barracks, and is widely used in shipping containers. A container research program has developed plywood boxes to carry gasoline, oil, chemicals and other vital war products. *Packaging Parade*, March, 1943, p. 18:4.

## Tests in the Selection of Package Wrappers

IT is standard procedure in many counseling agencies to use the Minnesota Rate of Manipulation (placing and turning) and the O'Connor Finger Dexterity Tests for the selection of persons for package-wrapping positions. Recent results from extensive studies by Blum and Candee, however, have indicated that these instruments are of little or no value for this purpose. As near as can be judged, the average of the validity coefficients for the placing and turning tests is of the order of .20, while that of the O'Connor test is insignificantly different from zero. Investigations carried out by the U. S. Employment Service have yielded similar results for the Minnesota tests.

Despite these rather conclusive results, a local counseling agency asked the writer to make some further checks on the usefulness of these tests in the selection of package wrappers. Ratings were obtained of the work of 42 seasonal wrappers at a department store, all of whom had taken the Minnesota and O'Connor tests. The ratings were of quality and quantity of production as appraised by supervisors. The coefficient of correlation between these two sets of ratings was .80, which indicated adequate reliability. The total of these ratings was used as the criterion of proficiency. The validity coefficients of the placing and turning tests were respectively —.10 and —.02, while that of the finger dexterity test was +.02.

These findings confirm the results obtained by previous investigators, indicating that the Minnesota placing and turning tests and the O'Connor Finger Dexterity Test are of little practical value in the selection of package wrappers. Clearly, then, further research on tests for the selection of persons for this work should employ other types of items. The work of both Blum and Candee and the U. S. Employment Service indicate that the name and number comparison items of the Minnesota Vocational Test for Clerical Workers will be useful, and the findings of the latter group of workers in addition suggest that tapping and dotting items such as those included in the MacQuarrie Test for Mechanical Ability and paper-and-pencil spatial relations items might be helpful. Certainly, if motor and dexterity tests are to be employed, they should be very different in nature from the placing, turning and finger dexterity tests. By Edwin E. Ghiselli. *Journal of Applied Psychology*, February, 1943, p. 33:2.

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▶ DEHYDRATED FOODS, particularly vegetables, are now being packed in compressed briquets. These blocks have the advantage of compactness not possessed by loosely packed vegetables. In addition, compression provides further savings in space.

—*Packing and Shipping* 2/43

# Financial Management

## Contract Payoff

DURING recent weeks business men have begun to do a lot of thinking about termination of government contracts. The more thinking they do, the more problems they discover. As things look now, winding up contracts and arranging for prompt, equitable settlements will be one of the toughest parts of the war program.

The biggest problems won't come up until the end of the war, when the government starts to cancel its orders for munitions and equipment, but even now the subject is more than academic. In the last few months, the Army has been reshuffling its production program, cutting down some lines —tanks, for instance—stepping up others.

In the long run, these early cases may make the main job considerably easier. Army procurement officers are using them as a proving ground, hoping to work out techniques they can use later.

A joint committee representing Army, Navy, Maritime Commission, and Treasury Procurement has been working on a uniform termination clause for all government contracts almost since the beginning of the war. At the moment, a preliminary draft of the uniform clause is being circulated for opinions from industry, labor and government officials. If comment is favorable, it should be published fairly soon. But some of the contracting branches of the services may hold out for a general statement of policy rather than a detailed blueprint.

The uniform clause at present specifies that the government may cancel a contract at any stage. If this happens, the contractor is to wind up work and follow instructions in disposing of all completed goods and semi-finished articles.

To determine the contractor's compensation, the clause provides alternative methods. If possible, the contractor and the contracting officer are to agree on a fair settlement which takes account of the amount of work performed, expenses incurred, reasonable profit on work in progress, and any other factors that may be important in the individual case. If they can't agree, the clause provides an elaborate formula for determining the settlement.

Although the clause would leave the contracting officer a free hand in negotiation, the formula would be the controlling factor in most settlements. Inevitably, negotiated settlements would approximate the results that would have been obtained by applying the formula.

However, the formula isn't a neat mathematical equation that will provide answers for any problem. It is really a general statement of principle.

Briefly, it provides that the government shall pay all costs on completed goods and all expenses incurred on work in progress, including settlements with subcontractors for cancellation of contracts the prime contractor had placed with them. To this, the government shall add a previously agreed percentage of profit. In addition, the government shall reimburse the contractor for any expenses resulting from discontinuance.

This looks like a clear-cut policy as long as it remains in general terms. But when it gets down to specific cases, it runs into a collection of plain and fancy cost-accounting problems.

One big question is how much overhead a contractor will be able to charge to a war contract and how much depreciation on machinery that is used for several different kinds of production. Another is how much freedom he shall have in arranging settlements with subcontractors. In the end, settlement by formula will involve almost as much discretionary judgment as settlement by agreement.

While there's plenty of argument over the way the proposed clause would work, there's pretty general agreement as to the way a termination clause *ought* to work. The ideal termination plan would facilitate quick settlement and prompt payment. Most contractors would rather get a smaller settlement at once than a generous one after a long delay. The big thing is to get the contractor's government business closed up so he will be free to return to civilian production.

The success or failure of settlement machinery will depend on a great many things that can't be predicted now. One big factor will be the way the government selects contracts to be canceled. Some industries want full termination of all government business as soon as the war ends. Others would like to taper off slowly while they make arrangements for reconversion.

Even this early in the game it's possible to see some of the big hurdles contract termination will have to clear. Probably the worst job of all will be sorting out the claims resulting from the intricate relations of prime and subcontractors. Many business men think the only way to handle this is to allow subcontractors to take their claims direct to the government instead of dealing with prime contractors alone. On the other side of the argument is the fact that requiring subcontractors to claim direct would result in so many claims that it would be almost impossible for the services to handle them. The uniform clause suggested by the joint committee straddles the fence on this by making direct appeal optional.

Another big trouble spot is determining the profit to be allowed on work in progress when the contract is canceled. The uniform clause uses an arbitrary percentage fixed by previous agreement. This follows the clause the Navy has been using in its contracts, but it differs from the policy the Army has adopted.

In canceled contracts of the War Department, the contractor first gets payment at the contract price for all

completed articles, plus all costs on work in process. The contracting officer then estimates the percentage of completion on the unfinished work and the profit the contractor would have made on it. The allowance for profit is the proportion of this estimated profit corresponding to the percentage of completion. Navy men say the big advantage of the Army clause is that it is so complicated that almost all contractors are willing to accept a negotiated settlement.

Even where the arbitrary percentage is used, determination of costs and other allowable items is left up to the contracting officer. The uniform clause provides that if the contractor holds out, he can appeal to the secretary of the department, but the secretary's decision is final. *Business Week*, May 15, 1943, p. 17:2.

## Reserves for That Day

TIME: November 11, 1918. The end of World War I was as dramatic and sudden as the awakening from an obfuscated nightmare. As late as July 23, 1918, less than four months prior to the Armistice, President Wilson had responded in a fatherly tone to a suggestion from Senator Owen, that although he had repeatedly turned his attention to postwar problems, "it does not seem to me that just now very much can be done by way of preparation because of our concentration upon other things." In other words, we were too busy winning the war to prepare for the transitional phase of our economy which would inevitably follow the peace.

Outstanding contracts for war materials and supplies for our armed forces amounted to $5,650,000,000 on November 11, 1918, and contracts amounting to 35.4 per cent of this dollar amount were canceled within one month. One manufacturer of smokeless gunpowder discharged 45,000 employees almost overnight. Salaried workers were given separation allowances of salaries for periods ranging up to two months, while wage earners were given no advance wages and only in an occasional case were they and their families given transportation to their homes or to some nearby industrial center. World War I ended, as far as the United States was concerned, with absolutely no integrated plans for converting from a wartime economy to a peacetime economy.

Time: Armistice Day of World War II. As each day passes, the Armistice to World War II draws ever closer. When that day arrives, outstanding contracts for warships, air carriers, P-T boats, fighter planes, transport planes, tanks, mobile artillery, ammunition, and vital materials and supplies will be at least 10 times the amount outstanding at the end of World War I. Our war industries will be employing 20,000,000 laborers who will be seeking permanent peacetime

occupations, while 8,500,000 of the 11,500,000 in our armed forces will be seeking peacetime reemployment. Here is a matter of critical importance—critical to the individual, critical to the business enterprise, and critical to an industrialized economy which can ill afford even a moderate return of unemployment of the pre-war days.

What are we going to do about it? What steps have farsighted managements already taken to cope with the problem?

The larger corporations have already begun to set up reserves in their balance sheets to cover postwar conversion expenses of all kinds. Where one corporation began to make such provisions in 1941, five corporations began to set up such reserves out of 1942 operations. The larger the corporation, the more care has been given by the management to the consideration of postwar expense problems.

Eastman Kodak Company, for example, set up "provisions for possible inventory losses and other adjustments due to wartime operations" of $2,500,000 in 1941, and then added $3,500,000 to that figure last year to make a total of $6,000,000 which is now carried in its December 26, 1942, fiscal balance sheet. The B. F. Goodrich Company set aside $6,000,000 in 1941 as "provision for contingencies"; added $2,000,000 more last year; and now carries the entire $8,000,000 reserve in its December 31, 1942, balance sheet. The Alaska Packers Association, with fewer and less complicated conversion problems, set up $50,000 in 1941 for "reserves for contingencies relating to war exigencies" and added $150,000 to that figure in 1942. One Midwestern banker has set up a special reserve of $50,000 out of 1942 earnings "in anticipation of the reemployment of those members of our staff who are now serving in the armed forces."

Among the well-known corporations that failed to get around to the full significance of this situation in 1941 but have provided liberal reserves in 1942 are the Rustless Iron and Steel Corporation, with $400,000 as a "reserve for postwar adjustments of inventories and other assets"; the American Chain & Cable Company, Inc., with $800,000 as "provision for future inventory losses and other adjustments due to wartime operations"; and the Tung-Sol Lamp Works, Inc., with $100,000 as a "reserve for postwar readjustments."

The Houdaille-Hershey Corporation tackled the problem in a somewhat different manner. In the Revenue Act of 1942, provision was made for the return to a corporation paying an excess profits tax, of 10 per cent of the excess profits tax paid out of current earnings as a postwar credit. This postwar credit for 1942 amounted to $305,597.18 for Houdaille-Hershey, and the entire amount was set aside in the fiscal balance sheet as a "reserve for postwar contingencies."

From these typical examples it is evident that considerable time and thought have been given to this field of postwar expense problems by the managements of many representative na-

tional business corporations. When we get to corporations whose tangible net worth is below the top bracket of nationally known enterprises, however, we find this crucial subject has received little specific attention. It is a rare balance sheet of a corporation with a tangible net worth of $1,000,000 or less which contains any provision for reserves for *that* day. Managements of some of these corporations have considered the problem, but they have failed to make concrete decisions and to provide for the contingency which is so definite that it is really no contingency.

The Federal Government can help in a very practical way. Reserves that are now being set aside to cover the payment of salaries and wages of excess employees and those in the armed forces as they return home, to cover possible inventory losses at the end of the war, and to cover retooling and reconversion expenses are not deductible charges for income-tax purposes or for renegotiation purposes. While several years of agitation were necessary to obtain statutory recognition in the Revenue Act of 1939 for the last-in, first-out method of inventory valuation, perhaps statutory allowance of reasonable provisions for postwar expenses as an income-tax deduction may be obtained in a somewhat shorter period. The next move is up to the Senate Finance Committee. This problem is of widening significance; depending upon how it is handled, it will have a variable effect upon our bulge of unemployment beginning on *that* day, upon the sales of manufacturers selling to war industries, and upon all business enterprises seeking peacetime markets. By Roy A. Foulke. *Banking*, May, 1943, p. 23:4.

## *Industry Weighs Renegotiation*

A COMPILATION of returns from the recent nation-wide war contract renegotiation poll conducted by Senator Styles Bridges reveals that, of 793 business concerns whose replies have been tabulated to date, 291 favor outright repeal of the law, 281 oppose repeal, while 221 avoid a "yes" or "no" commitment. At the same time, restriction of renegotiation to contractors making over 3 per cent of total sales after taxes was advocated by 285 of the business concerns, opposed by 104.

Contractors opposing retention of the renegotiation law were preponderantly of the belief that taxes would answer the need. While many of them thought a 90 per cent excess profits tax adequate, others suggested a 100 per cent excess profits tax or a 90 per cent profits tax with the 10 per cent rebate eliminated and normal taxes increased to 50 per cent.

Although government advocates of contract renegotiation have contended that a 90 per cent excess profits tax reduces the incentive for efficient production and have leaned heavily on the renegotiation law to rectify this situation, the testimony of most contractors who commented on the efficiency factor in contract renegotiation appears opposed to the view that renegotiation promotes efficient production.

—M. F. Lam in *The Journal of Commerce*, 6/3/43

# *Insurance*

## A Year of War Damage Insurance

THE War Damage Corporation is turning a deaf ear to suggestions that its insurance rates be reduced. Agents currently are selling war damage insurance policies for the year starting July 1 at rates identical with those charged for the previous 12 months despite the fact that claims are relatively small. The official attitude seems to be that chances of an enemy attack have not yet diminished to the point where a rate reduction would be justified.

In the slightly more than 12 months it has been operating, the War Damage Corporation has become the world's greatest writer of casualty insurance. It has issued 4.7 million policies, has a $122 billion insurance liability, and has collected $130 million of premiums.

To date, it has received 891 claims, aggregating $63 million. Actual payments on these claims—the bulk based on damage in the Hawaiian and Philippine Islands—amount to only $102,000.

Directors of the insurance unit, however, are quick to point out that the picture is not necessarily as bright as it looks. For one thing, a large part of the insurance policies are concentrated in coastal areas—the spots most accessible to the enemy. For another, with the Philippines still in enemy hands, information on damage there still is far from complete.

Of the $122 billion aggregate liability of the insurance corporation, $71 billion, or 58 per cent, has been written in the five coastal states of California, Massachusetts, New Jersey, New York and Pennsylvania. The liability in New York is $22 billion.

Approximately $84 billion is equally distributed—$28 billion each—among the following three classifications: private dwellings and their contents; apartments, hotels, offices, mercantile establishments and their contents; manufacturing and similar plants.

Corporation officials will make no prediction as to what will happen to the vast amount of premiums now piling up. Spokesmen for WDC hazard the guess that it may be prorated to the public or it may go to the government, which staked a billion in capital stock to start the corporation. On the other hand, Congress may have some ideas about how it should be handled.

The corporation has no insurance writers of its own. Regular insurance agents—from fire, casualty and surety companies—do its writing on a commission basis, while regular insurance firms keep the routine records on an estimated-cost basis. This makes it possible for the corporation to operate with a minimum of expense and without drawing on the manpower that would be necessary if the government

undertook to write the insurance directly.

At present, 534 fire insurance and 85 casualty and surety companies have a participation in the losses or profits equal to 10 per cent, with a limitation of $20,000,000 applicable to both losses and profits.

Rates on new policies, identical with those on old policies, are:

Growing crops, 5 cents on $100; farm buildings, dwellings, including contents, 10 cents; public buildings of fire-resistive construction, 10 cents—of ordinary construction, 15 cents; apartments and office buildings, of fire-resistive construction, 15 cents—of ordinary construction, 20 cents; manufacturing plants, wharves, bridges, of fire-resistive construction, 20 cents—of ordinary construction, 30 cents; railroads and public utilities, 30 cents; rolling stock, 25 cents; roadbeds and trackage, 10 cents.

*The Wall Street Journal*, June 1, 1943, p. 1:2.

## New Compensation Graded Expense Program

STOCK companies have developed a new program for rating of workmen's compensation which, if approved, will result in substantial reduction in cost and will provide added incentive for the prevention of accidents and occupational diseases.

The program applies to all risks paying annual compensation premiums of more than $1,000 and in certain circumstances to those of $1,000, but in no case to those having annual premiums of less than $1,000. It applies the principle of levying service charges on the basis of actual expense in place of a fixed percentage of each dollar of premium paid. It provides four elective plans, the first being a guaranteed-cost plan and the remaining three retrospective rating plans.

The guaranteed-cost plan provides for a reduction from the "standard premium," reflecting reduced expense loadings without further modification because of loss experience. The second is a retrospective rating plan providing for the maximum premium to be the "standard premium" but offering substantial savings in the final adjusted premium if the loss experience is better than average. The last two plans differ from the second in that premium penalties will result if the loss ratio is higher than average. However, the possible savings in final adjusted premiums are greater than in the second plan and provide a greater incentive for accident prevention. They will be more appealing to very large risks, particularly self-insurers. The two plans differ only in the possible reduction from the "standard premiums." The third plan is similar to the present retrospective rating plan, and the fourth provides a greater swing by making the basic premium the minimum premium.

The proposed program, which has

been developed after a series of conferences with representatives of agent and broker organizations, does not involve any change in the present manner of compiling compensation experience or in the present method of determining and establishing basic rates. It does not modify the use or principle of experience rating.

The program provides a positive saving to every employer whose compensation insurance premium exceeds $1,000. For example, an employer pays $5,000 for his compensation insurance. Of this amount, 9.5 per cent is for company service other than claim and engineering service. Under the new program, he pays only 4.1 per cent for this service on the $4,000 of premium in excess of $1,000. On this same $4,000 he will pay for agency or broker service about 29 per cent less than he pays now. Under the three retrospective rating plans still greater savings can be made in proportion to the reduction in losses during the policy year.

While there are many details still to be worked out and commission scales have not been endorsed by all producers, they have approved the general principles and outline of the plan.

*The National Underwriter*, May 6, 1943, p. 21:2.

## *New Provision in "U & O" Insurance*

A RADICAL innovation has just been introduced by fire insurance companies in connection with business interruption insurance contracts—more commonly known as use and occupancy insurance.

Subject to a rate increase of 100 per cent, these contracts now assume liability for loss resulting from any additional time required to rebuild, replace or repair any property as a consequence of wartime regulations. The latter are defined as any laws, governmental orders, provisions or regulations prohibiting or restricting, directly or indirectly, construction or acquisition of machinery, equipment, material or labor, or other means required for replacement or repair of property damaged or destroyed.

It is not mandatory for the policyholder to accept these conditions, and he may, at the previous rates, accept an endorsement which will restrict the policy from indemnifying for any losses caused by such wartime delays. With the endorsement exempting the insurance companies for these delays, and without the rate increase, a policy would pay for the time required *under normal conditions* to restore the premises.

Another new condition in the business interruption policy limits the time period of recovery to 12 months regardless of the term of the policy. At additional premiums, however, this recovery period can be extended in time multiples of three months each—i.e., three, six, nine, 12 or more additional months.

Inasmuch as the demand exceeds the market, and conditions change rapidly, it is well for a policyholder to keep in close touch with his agent or broker on U. & O. changes. Every 60 days would not be infrequent, as problems arise continuously on ceiling prices, taxes, rationing and other restrictions.

—*Barron's* 5/10/43

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▶ INSURANCE TIP FOR RETAILERS: While cash is plentiful, rewrite fire insurance on stock and fixtures (sprinklered risks) for a period of five years and thereby save one year's premiums.

—W. M. TRIPP in *The Balance Sheet* 1/43

# The Management Question Box

**Questions and Answers on Management Practice Based on the Inquiries Received by the AMA Research and Information Bureau.**

***Individual replies are made promptly either by mail or telephone to inquiries received by the Research and Information Bureau. This service is available to executives of concerns holding company memberships. The questions cited here are those which it is believed are of general interest to the membership.***

## Adjustments in Salesmen's Expense Allowances

*Question:* As a result of the many factors now affecting the operation of the sales force, such as higher travel rates, increased living costs, and gas rationing, what are companies doing to adjust and control salesmen's expense allowances?

*Answer:* The most comprehensive data available on the wartime expense policies of sales organizations is contained in a recent report of The Dartnell Corporation. The general opinion among the several hundred companies included in the survey is that, where salesmen do much traveling, expense allowances should be adjusted to cover the higher costs involved. However, a large number of the reporting companies have not yet decided on the actual adjustments to be made. Still others whose expense policies are relatively well defined under normal conditions are now operating on temporary plans which make allowances in line with changing conditions on what amounts to a day-to-day basis.

In many concerns, salesmen who formerly operated on a commission basis are now receiving salary plus expenses. Where salesmen continue to work on commission, they still generally pay their own expenses. Some companies continue to pay flat salary allowances, but they have adjusted these upward from 5 to 15 per cent. For the most part, however, payment on an actual-expense basis is favored over a fixed flat allowance.

About 10 per cent of the reporting companies operate on a *per diem* expense basis, and allowances range from $3.50 to $11.00 per day. For city work which does not involve travel expense, the average is $5.00 per day, while $10.00 is the average where travel is included. Between these averages, wide fluctuations exist.

The Dartnell report isolates some examples of current trends as evi-

denced in the plans reported by individual companies in different selling fields:

(1) *Base and Peak Plan:* Under this plan, evolved by a machinery manufacturer, the sales force operates on a base and peak salary for a stipulated volume of business. The same incentive applies beyond peak, except that in this area the salary is figured on a percentage basis of the total. A certain amount of expenses is allowed annually with reference to base sales, with a 30 per cent increase in expenses from base to peak. At peak sales, expenses are pegged.

(2) *Agreement Which Covers Expenses:* In the building-materials field, one company has concluded an agreement with its salesmen covering the following main points:

a. On sales to customers visited by the salesmen not less than once every six weeks, stipulated commissions are paid on the basis of the gross profit after deducting freight. No commission is paid on sales where the salesman has not called on the customer within six weeks of the time of the sale.
b. The cost of the automobile used by the salesman and its maintenance, including insurance, interest, repairs, tires, etc., is paid by the company, with a charge of $7.00 per week to the salesman's account for this purpose.

(3) *New Salesmen Given Larger Allowance:* Under this plan, new salesmen receive a higher allowance for a stipulated period. At the expiration of this period, it is expected that their commissions will increase to a point where expenses may be reduced. The liquor manufacturing company reporting this plan allows salesmen $4.00 per day for the first 60 days of their employment and $2.00 per day thereafter.

(4) *Allowance for Increased Expenses:* A general upward revision of allowances is reported by a number of companies. One company in this group reports that, while officially it stipulates a fixed maximum amount with respect to hotels, meals and related items of expense, it has "been liberal in passing expense reports that exceeded the fixed amounts."

With respect to automobile travel allowances, many companies report that they have made an adjustment, usually by "permitting mileage allowance in accordance with the type of ration card held by the salesman." Thus, on "A" and "B" cards, the allowance is the usual per mile rate on a basis of probable mileage under the respective gallonage. Holders of "C" cards are reimbursed on the basis of an actual accounting of mileage.

As to the actual amounts of car allowances, the range is from 1½ cents to 7 cents per mile. In some cases, companies prefer to pay a flat monthly car allowance, say from $30.00 to $35.00, plus a mileage allowance. The Dartnell sliding scale, which is favored by many companies, bases its calculations on mileage and type of territory, and is held to be an equitable basis for figuring car allowances.

The Dartnell report lists the various types of expense control plans now

being used in more than 100 representative selling fields. Fifteen are set forth below to illustrate examples of current practice:

| *Line* | *Plan* |
|---|---|
| Abrasive mfr. | Salary and expenses |
| Agricultural products | Commission, no expenses |
| Candy mfrs. | Drawing account against commission, salesmen pay own expenses |
| Coal industry | Furnish cars. Allow road men $6.50, city men $3.50 per day. Entertainment handled by company. |
| Construction, equipment mfg. | Commission, salary and bonus, no expenses |
| Electric appliance mfr. | Salary and expenses |
| Food products mfrs. | Allow $5.25 daily for traveling; pay entertainment expenses; $35 flat rate monthly for auto expenses plus 1½ cents per mile for gas and oil |
| Furniture mfr. | Commission, no expenses; salary, actual expenses |
| Industrial metals, jobbers | $11 a day on road, $30 a month for car in city, 5 cents a mile on road |
| Leather belting mfrs. | Weekly expense accounts paid; auto allowance increased from 4 to 5 cents a mile |
| Metal alloys mfr. | Allow $6 per day expenses, railroad fare; no entertainment expenses |
| Paper container mfrs. | $7 *per diem* traveling allowance plus entertainment allowance |
| Pharmaceuticals mfg. | $5 *per diem* meals and hotels, 3⅓ cents per mile auto allowance, reasonable entertainment expenses paid |
| Radio equipment distributors | Fixed salary, 3½ cents per mile auto allowance, all traveling and entertainment expenses paid by company |
| Road machinery mfrs. | Travel, hotel, 4 cents for cars, reasonable entertainment |

## PUBLICATIONS RECEIVED

**How to Write a Good Advertisement.** By Victor O. Schwab. Schwab and Beatty, Inc., 1230 Sixth Avenue, New York, 1942. 76 pages.

**Plant Protection:** ***A Handbook for American Industry—Factories, Mills, Docks, Shipyards.*** By E. A. Schurman. Cornell Maritime Press, New York, 1942. 148 pages. $2.00.

**Collective Bargaining Systems:** ***A Study of Union-Employer Responsibilities and Problems.*** By Frank C. Pierson. American Council on Public Affairs, Washington, D. C., 1942. 227 pages. $2.50.

**Teamsters and Transportation:** ***Employee-Employer Relationships in New England.*** By Samuel E. Hill. American Council on Public Affairs, Washington, D. C., 1942. 248 pages. $3.00.

**Birth Certificates:** ***A Digest of the Laws and Regulations of the Various States.*** By Earl H. Davis. The H. W. Wilson Company, New York, 1942. 136 pages. $1.50.

**The Age of Enterprise:** ***A Social History of Industrial America.*** By Thomas C. Cochran and William Miller. The Macmillan Company, New York, 1942. 394 pages. $3.50.

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**Breaking the Skilled Labor Bottleneck:** ***How to Subdivide Labor Skills to Gain Maximum Production.*** By Eugene J. Benge. The National Foremen's Institute, Deep River, Conn., 1942. 47 pages. $2.00.

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**Tested Direct Selling:** ***A Comprehensive Manual of Tested Methods for Use in Door-to-Door Selling.*** By Elmer Wheeler, in collaboration with E. W. Proctor, Jr. Prentice-Hall, Inc., New York, 1942. 145 pages. $2.00.

**Motion and Time Study.** By George W. Chane. Harper & Brothers, New York, 1942. 88 pages. $1.40.

**Public Control of Labor Relations.** By D. O. Bowman. The Macmillan Company, New York, 1942. 504 pages. $5.00.

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